

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

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FILES

June 4, 1979

To: Members of the Executive Board  
From: The Secretary  
Subject: Final Minutes of Executive Board Meeting 79/19

The following correction has been made in EBM/79/19 (2/6/79):

Page 18, APPROVED BY THE EXECUTIVE BOARD: for "Meeting 79/81, May 23, 1979"  
read "Meeting 79/82, May 23,  
1979"

A corrected page is attached.

Att: (1)

Other Distribution:  
Department Heads



Mr. Ruding agreed with the staff that the paper for the March review of the compensatory financing facility should contain a full list of all the suggestions and proposals that had been raised since the previous review. It might be useful if the staff could go further and add to each aspect a summary of where the Executive Board had stood the last time it had discussed the particular suggestion or proposal, although, since Executive Directors might change their minds, matters should be included even though they had not previously received much support. In that connection, while he had previously been less opposed to a threshold than to the idea of a 2 per cent deductible, he had been impressed by the comments of the Economic Counsellor with respect to the serious disadvantages of the threshold.

The Acting Chairman, in summarizing the discussion, noted that there had been little support for the concept of attempting to integrate the German proposal into the Fund. While it might be possible for the Fund to administer such a facility if it should come into being following discussions in some other forum, there was no need to go into the matter for the time being.

As had been mentioned by Mr. Caranicas, positions had changed little since the June discussion on the compensatory financing facility, the Acting Chairman observed. At that time Executive Directors had generally favored the inclusion of services in the coverage of the facility, although it had not been clear then--as it was not at present--how the inclusion could be handled. While the geometric average had theoretical and practical merit, it had not achieved sufficient support to be put into operation, although it would be reconsidered in the review paper. He did sense that a slightly larger group of Executive Directors in the current discussion had indicated a willingness to consider expanding the quota limitations.

The Executive Board concluded for the time being its discussion of possible changes in the compensatory financing facility.

## 2. TONGA - MEMBERSHIP - TENTATIVE INQUIRY

The Acting Chairman informed Executive Directors that a tentative inquiry regarding membership in the Fund had recently been received from the Government of Tonga. Previously, the then Minister of Finance and Deputy Prime Minister had contacted the Fund staff to inquire about the subject of membership on September 22, 1970, during the Annual Meeting held in Copenhagen.

The Executive Board took note of the statement by the Acting Chairman.

APPROVED BY THE EXECUTIVE BOARD:  
Meeting 79/82, May 23, 1979

LEO VAN HOUTVEN  
Secretary